



Request for City Council Committee Action from the Department of Human Resources

Date: October 22, 2013

To: Betsy Hodges, Ways & Means/Budget Committee

Subject: 2014 Health Care Changes

Recommendation: Receive and File

Department Information

Prepared by: Joyce Traver, Benefits Manager

Approved by: Patience Ferguson, Human Resources Director
Paul W. Aasen, City Coordinator

Financial Impact

Action is within the Business Plan and is provided for in the 2014 Mayors Recommended Budget. The 2014 health care changes also meet City Human Resources and BLMC goals to limit annual medical premium increases to 5%.

Supporting Information

The City of Minneapolis was faced with a 16.8% medical premium increase for 2014. Members of the Benefits Sub-committee of the Citywide Labor Management Committee (the BLMC) worked with our insurer (Medica) and the City's benefits consultant to better control this cost increase. As evidenced by the attached joint letter to employees from the City and the Board of Business Agents, health plan changes, as outlined below, were instituted that lowered the premium increase to 3.4%.

The changes are consistent with the jointly developed BLMC goals to:

- Provide access to high quality health care at the lowest possible cost for the majority of City employees
- Limit annual premium increases to 5%; necessary to avoid the excise tax on high cost medical plans that will be effective in 2018
- Encourage enrollment in more efficient, lower cost Elect and Essential networks
- Continue to evolve to the City's wellness program
- Reward employees that complete the 2013 wellness program with lower monthly employee contributions

Health plan deductibles and out-of-pocket maximums

	2013	2014
Deductible	\$1000 single/\$2000 family	\$2000 single/\$4000 family
Out-of-pocket maximum	\$2000 single/\$4000 family	\$3000 single/\$6000 family

Other health plan changes

- Payments made toward deductible during the fourth quarter of the plan year will no longer be applied to the next year's deductible
- Retail prescriptions will be limited to a 31-day supply; reduced from current limit of 34 days
- 100% coverage for most preventive service will be limited to in-network providers only
- One-time completer HRA/VEBA contribution of \$200 for employees who complete additional wellness activities in 2014

Plan eligibility changes

- City employees may no longer be covered twice under the City's health plan (an employee may not enroll for single coverage and also enroll as a dependent on another City employee's health plan, children cannot be enrolled under both parent's health plan through the City).
- Employees who retire after December 31, 2013 may not re-enroll for City medical coverage if they waive such coverage at the time of retirement.

Basic life insurance increase

Employer-paid life increase in value from a flat rate of \$10,000 to one times annual salary up to a limit of \$50,000.

Communications

Communications regarding the 2014 benefit changes began in September and will continue into 2014. During the week of October 28, 2013, information packets will be mailed to the homes of benefits eligible employees and retirees. The packet will include an enrollment guide that includes details on the changes and information on the process that led to the changes – see attached letter from the BLMC that appears in the enrollment guide.

[2014 Open Enrollment Guide - letter from City and Board of Business Agents]

It's no secret that health care costs are rising. Like many other large employers, the City of Minneapolis was faced with the prospect of a significant premium increase for the upcoming plan year. In fact, Medica initially proposed a premium increase for the 2014 plan year of 16.8 percent, based on our 2013 plan design and claims experience.

In response, the City staff and labor representatives who serve on the Benefits Labor-Management Committee, together with the City's benefits consultant, worked with Medica to make changes to our plan that will hold monthly premium costs for all employees and participating retirees as low as possible. It was a process that took several months and many hours of research, analysis and negotiation sessions to complete.

The changes are described in this enrollment guide. The most significant among them are increased deductibles and out-of-pocket maximums as shown on page 6 of this guide.

By taking these actions, we have been able to hold the overall premium increase to just 3.4 percent and ensure that you continue to enjoy access to high quality coverage at the lowest possible monthly cost. In fact, premium contributions paid by employees who enroll in the Medica Elect and Medica Essential networks will actually decrease from 2013 levels.

While all covered employees pay premiums, relatively few meet their deductible or out-of-pocket maximums in a given plan year. For example, only 10% of active members met the out-of-pocket maximum in 2012. Resources will be available to help those who are likely to incur increased out-of-pocket expenses in 2014 as a result of these changes, including an additional HRA/VEBA contribution in the amount of \$200 for employees who complete certain wellness activities and new tools to help all members shop wisely for high quality, reasonably priced health care services.

As noted above, we believe the 2014 plan changes are in the best interest of our City of Minneapolis Medical Plan members. The City's benefits office is available to answer your questions about open enrollment and the health plan changes.

Sincerely,

Joyce Traver, Benefits Manager

City of Minneapolis

Laura Spartz, Chair

Minneapolis Board of Business Agents